EXHIBIT H

CANADIAN CLOSED BLOCK MEMORANDUM

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OVERVIEW

The Canadian Closed Block is the mechanism established for the purpose of providing over time for the reasonable dividend expectations of owners of Canadian Closed Block Policies. This memorandum sets forth how that purpose is to be addressed both in the initial funding of the Canadian Closed Block and in how the Canadian Closed Block will actually operate.

Canadian Closed Block Objective. The Initial Canadian Closed Block Assets shall be allocated to produce cash flows which, together with anticipated revenue from the Canadian Closed Block Policies, are expected to be reasonably sufficient to support the Canadian Closed Block Policies (including but not limited to the payment of claims, certain expenses and payroll taxes) and to provide for the continuation of dividend scales payable on the Canadian Closed Block Policies in 2000 if the experience underlying such scales continues and for appropriate adjustments in such scales if such experience changes, consistent with the requirements of Part Two, Section III of this Exhibit H.

In no event shall the Company be required to pay dividends from assets that are not Canadian Closed Block Assets. Notwithstanding any other provisions of the Plan, the Company's decision to establish a Canadian Closed Block in connection with the Plan shall in no way constitute a guarantee with respect to any policy or contract that it will be apportioned a certain amount of dividends.

As explained in the Plan, certain policies of the United States branch are in their own Closed Block as described in Exhibit G, and the Canadian Closed Block described in this Exhibit H does not include these policies. The Canadian Closed Block consists solely of Canadian branch Intermediate Monthly Premium and Weekly Premium policies.

Initial Canadian Closed Block Assets shall be determined in accordance with Part One of this Exhibit H. Section I of Part One contains the methodology that is being followed to determine the amount of the Initial Canadian Closed Block Assets used to fund the Canadian Closed Block as of the midnight between June 30, 2000 and July 1, 2000 (the Plan defines the latter date to be the "Closed Block Funding Date"). Also within Part One, Section II describes the experience assumptions used to determine the amount described in Section I. That is, Sections I and II of Part One describe the initial funding of the Canadian Closed Block.

The Canadian Closed Block shall be operated for the exclusive benefit of the Canadian Closed Block Policies in accordance with Part Two of this Exhibit H. Sections I through VII of Part Two describe the operation of the Canadian Closed Block. The Canadian Closed Block is credited with (or, as appropriate, charged for) all insurance cash flows and investment cash flows with respect to Canadian Closed Block Policies as specified in Part Two, Section I. Canadian Closed Block Policies include policies in the intermediate monthly premium life insurance product line ("Intermediate" policies) and the weekly premium life insurance product line ("Weekly Premium" policies).

Section II of Part Two provides for the investment policy of the Canadian Closed Block. Section III provides for the dividend policy of the Canadian Closed Block. Section IV provides for the recognition, if any, of reinsurance as it affects the Canadian Closed Block.

Section V of Part Two contains the bases upon which to charge the Canadian Closed Block for fees in lieu of actual expenses (and payroll taxes) after the Closed Block Funding Date.

Section VI of Part Two provides reporting requirements of the Canadian Closed Block. Section VII controls amendments to, and termination of, the Canadian Closed Block.

Capitalized terms used in this Exhibit have the meanings ascribed to them in the Plan or in this Exhibit.

PART ONE. INITIAL FUNDING OF THE CANADIAN CLOSED BLOCK

I. Amount of Initial Canadian Closed Block Assets

The Initial Canadian Closed Block Assets are determined to achieve the Canadian Closed Block Objective (described on page 1 of this Exhibit H), that is, to produce cash flows which, together with anticipated revenue from the Canadian Closed Block Policies, are expected to be reasonably sufficient to support the Canadian Closed Block Policies (including but not limited to provisions for the payment of claims and fees in lieu of expenses and payroll taxes, as specified in Part Two) and to provide for the continuation of the 2000 dividend scales payable on the Canadian Closed Block Policies if the experience underlying such scales (as described in Section II of Part One) continues. The 2000 dividend scales were determined at the end of 1999 and were paid at the end of 1999.

The Canadian Closed Block began operations as of July 1, 2000 with an initial set of assets *provisionally* selected based on an estimate of the amount needed to achieve the Canadian Closed Block Objective. This *provisional* selection of assets is described in subsection B below. The determination of the *actual* Initial Canadian Closed Block Assets *as of* July 1, 2000 is described in subsection A below.

A. Determination of *Actual* Initial Canadian Closed Block Assets

The amount of Initial Canadian Closed Block Assets is determined effective as of July 1, 2000 (the "Closed Block Funding Date"). The *actual* Initial Canadian Closed Block Assets *as of* the Closed Block Funding Date are determined by:

1. building, for the Canadian Closed Block Policies actually in force on the Closed Block Funding Date, a model to project Net Insurance Cash Flow (as specified below) from the Canadian Closed Block Policies;

2. building a model to project the Net Investment Cash Flow from the *provisional*[1] Initial Canadian Closed Block Assets, making incremental additions or reductions to the amount of these assets, and re-projecting the Net Investment Cash Flow; and

3. combining the Net Insurance Cash Flow and the Net Investment Cash Flow projected by the models in Steps 1 and 2 to project Net Total Cash Flow Available for Reinvestment. The Net Total Cash Flow Available for Reinvestment is projected to be used to purchase

[1] As described below in section B, the Company selected a reasonable *provisional* set of Initial Canadian Closed Block Assets from among assets in the Insurance segment of the Canadian branch owned on the Closed Block Funding Date. This allowed tracking of Canadian Closed Block cash flows and accounting for the Canadian Closed Block to begin immediately on the Closed Block Funding Date. Following the Closed Block Funding Date the amount of incremental assets needed to fund the Canadian Closed Block to complete its establishment as of the Closed Block Funding Date must be calculated. Any change in assets determined by the final model to be needed as of the Closed Block Funding Date to achieve the Canadian Closed Block Objective will be added or subtracted, with interest, after such determination.

new assets, which are assumed to earn investment return. The model continues to project these amounts until the last Canadian Closed Block Policy is assumed to terminate.

Assets are re-projected iteratively as described in Steps 2 and 3 (testing different amounts of additional assets to be added or to be removed) until the assets remaining at the end of the projection are approximately zero. When the assets remaining at the end of the projection are approximately zero, then the initial assets in the projection (i.e., the total of *provisional* assets and the incremental assets added or removed) are the *actual* Initial Canadian Closed Block Assets reasonably sufficient to satisfy the Canadian Closed Block Objective.

The initial assets as determined from the above-described modeling process are adjusted for other differences between the balance sheet for the Canadian Closed Block as represented by the model and the actual balance sheet for the Canadian Closed Block, both balance sheets taken as of the Closed Block Funding Date. Such differences include claims incurred but not yet reported.

The Canadian Closed Block is funded *provisionally* with assets that are permissible assets of a New Jersey domiciled life insurer, specifically bonds and similar fixed income instruments, indexed equities, cash, policy loans on policies in the Canadian Closed Block, and due and accrued investment income on such assets. The assets also satisfy relevant Canadian requirements.

No existing reinsurance treaties have been taken into account in the determination of the Initial Canadian Closed Block Assets, consistent with Part Two, Section IV of this Exhibit H.

The following describes the three steps of the calculations listed above to calculate the *actual* (as distinct from *provisional*) Initial Canadian Closed Block Assets.

1. Net Insurance Cash Flow.

   Net Insurance Cash Flow for purposes of the modeling process described herein is the sum of the amounts described in paragraphs (a) and (b) below.

   a. *The model of the Company's Canadian Closed Block Policies* in force is developed from the Company's policy records as of midnight at the start of the Closed Block Funding Date. The model consists of approximately 30 model cells (plan/issue age/issue year cells). The model provides for paid-up dividend additions (both existing amounts and amounts projected to be applied or purchased during the period of the Canadian Closed Block operations). Cells in the model are defined by plan (also known as "kind code"), ratebook era (also known as "value basis"), issue year, and issue age. The model is used to project Net Insurance Cash Flow, defined just below, for base policies, excluding miscellaneous benefits covered in paragraph (b) below.

   "Net Insurance Cash Flow" equals the following transactions on Canadian Closed Block Policies:

Dividends used as premiums to purchase paid up additions
plus policy loan repayments, including accrued interest
minus benefits (whether paid in cash or applied to effect Supplementary Contracts outside the Canadian Closed Block)
minus policyholder dividends (whether paid in cash or used to buy additional benefits)
minus specified fees in lieu of expenses and payroll taxes.

The following points clarify the handling of certain cash flows in the models:

i. Premiums are waived and are assumed to be not paid in cash in the model.

ii. All policy loans among the *provisional* Initial Canadian Closed Block Assets (which constitute a small portion of the Canadian assets) are assumed in the model to be repaid at the outset of the projection and no new ones taken out.

iii. "Benefits" include death, withdrawal and maturity benefits. Death benefits incurred in a month are assumed to be incurred on average at mid-month and to be paid when incurred. (As noted in (b) below, some delay in the payment of death claims is recognized at a separate point in the modeling.) Other benefits such as surrender benefits are assumed to arise at the end of policy months.

iv. "Dividends" are projected assuming a continuation of the 2000 dividend scales. The experience assumptions described in Part One, Section II are selected to be consistent with this projection.

b. Miscellaneous benefits and adjustments. The model also includes aggregate projections for interest margin on claims in course of settlement over the life of the Canadian Closed Block and for riders and incidental benefits on Canadian Closed Block Policies, such as accidental death benefit.

2. Net Investment Cash Flow

"Net Investment Cash Flow" is the cash flow from both Initial Canadian Closed Block Assets and assets assumed to be purchased subsequently. Such Net Investment Cash Flow includes the amounts of coupons (or other forms of interest), dividends paid on stock or other equity interests, and any repayments or prepayments of principal, as well as proceeds from the projected sales of equities. Net Investment Cash Flow is net of projected default costs and investment expenses. In the case of the Initial Canadian Closed Block Assets, the default costs are calculated as percentages of assets in applicable categories, and the investment expense fees are those specified in Part Two, Section V.A. In the case of assets purchased subsequently, the net reinvestment rate specified in Part One, Section II.G. is net of both default costs and investment expenses.

3. Reinvestment of Net Cash Flows

Net Investment Cash Flow is added to Net Insurance Cash Flow to determine the Net Total Cash Flow Available for Reinvestment. The Net Total Cash Flow Available for Reinvestment is then assumed to be reinvested at the reinvestment rate assumption specified in Part One, subsection II.G.

The Canadian Closed Block Assets are modeled on a year by year basis until the last Canadian Closed Block Policy is assumed to terminate. If the assets remaining at the end of the projection period are zero or approximately zero, then the *actual* Initial Canadian Closed Block Assets are the same as the *provisional* Initial Canadian Closed Block Assets. However, if as is more likely, the assets remaining at the end of the projection period are not zero, then either additional assets are added to the *provisional* assets, or a portion of the *provisional* assets are removed, depending on whether the assets remaining at the end of the projection period are less or more than zero. These additional assets (or assets to be removed) are to be in the form of cash or fixed income assets. The entire calculation is repeated to test if the assets remaining at the end of the projection period are zero. This continues until an amount is determined which gives terminal assets of approximately zero.

B. Selection of the *Provisional* Initial Canadian Closed Block Assets

The following describes the selection of the *provisional* Initial Canadian Closed Block Assets.

A model based on September 30, 1999 Canadian Closed Block Policies in force was used in June, 2000, to estimate provisionally that the needed funding as of the Closed Block Funding Date would be approximately C$176.2 million (including policy loans). This estimate reflected estimated trends in growth in reserves – and therefore the estimated trends in growth in needed funding – from September 30, 1999 to the Closed Block Funding Date. Assets approximately in this amount were *provisionally* selected at the Closed Block Funding Date. Such assets actually selected are referred to as the "*provisional* Initial Canadian Closed Block Assets." The *provisional* Initial Canadian Closed Block Assets and their associated cash flows were identified and credited to the Canadian Closed Block starting on the Closed Block Funding Date. These assets consist of policy loans and accrued interest on Canadian Closed Block Policies, as well as a portion of the bonds and other investments then in the Insurance segment of the Company's Canadian branch general account.

Deletions from (or additions to) these *provisional* Initial Canadian Closed Block Assets as described above must be determined after the Closed Block Funding Date, to reflect the actual insurance business in force as of midnight at the start of the Closed Block Funding Date, the assets *provisionally* selected, and the actual assets available for a later true-up (which may be in the form of cash or fixed income assets). Once this calculation is completed, any excess/shortfall of the *provisional* funding above/below the *actual* Initial Canadian Closed Block Assets needed will be subtracted from/added to the Canadian Closed Block, going to (or coming from) the

Company's Insurance segment of the Canadian branch general account (with interest consistent with how the calculation is structured) to complete the funding.

That is, while the selection of these *provisional* assets allowed the Canadian Closed Block to start operation, the exact amount of assets *provisionally* selected does not ultimately determine the true funding level. The final calculation is used to determine the correct amount, and any difference between the correct amount and the *provisional amount* is removed from or added to the Canadian Closed Block, as appropriate, once the correct amount is determined.

II. Description of Experience Assumptions Used To Determine Initial Canadian Closed Block Assets

The experience assumptions used in the cash flow projections are as follows.

A. Mortality

The mortality assumptions were selected based on the average results from mortality studies of the US Gibraltar Series for calendar years 1992 through 1995, adjusted to reflect more recent experience through 1998. The rates vary by issue age basis (age nearest birthday versus age next birthday) and attained age.

Death benefits include face amounts on base policy and paid up additions, plus termination dividends, plus, where appropriate, a mortuary (pro-rata or full annual policy) dividend.

B. Surrender

Surrender rates for the base policies are based on aggregate US Intermediate and Weekly Premium policy persistency experience and closely reproduce aggregate Canadian policy persistency experience rates. The persistency rates do not vary by line of business and issue age. Paid up additions are assumed to surrender at the same surrender rate as for the base policy.

Because premiums are waived, surrender benefits paid are calculated monthly as interpolated cash values.

C. Expenses and Taxes

Fees in lieu of general insurance expenses (including payroll taxes) and investment expenses are charged to the Canadian Closed Block at the rates and by the methods specified in Part Two, Section V. The fee deductions assumed in the cash flow projections reflect the provisions in Part Two, Section V for fees.

D. Policy Loans

The amount of policy loans (including premium liens on Weekly Premium business) on Canadian Closed Block business is approximately C$4 million, and such loans earn a rate within 2% to 3% of the rates on other assets in the projection. The projections assume that any initial loans are repaid at the outset of the projection and no new loans are made. The conservatism in the reinvestment rate assumption below is believed to cover any small differences between actual and model treatment of policy loans.

E. Dividend Options

Dividends on base policies and on paid-up additions are applied to provide paid-up additions.

F. Insurance Cash Flows for Miscellaneous Benefits

The gains arising from miscellaneous benefits (disability and accidental death benefits) were projected by deriving experience results for recent years (Canadian accidental death experience and US disability experience because Canadian disability experience was not available), projecting those results forward in a pattern consistent with the way in which the underlying reserves associated with such benefits are presumed to decline, and calculating the resulting present value. The amount of Canadian Closed Block Assets required for these benefits equals the total reserves held with respect to such benefits as of the Closed Block Funding Date, minus the present value just described. Using a similar technique, gains arising from the lag in death claim settlement (interest earned minus the interest credited on such claim amounts during the period from incurral to settlement) were calculated. The amount of Canadian Closed Block Assets is reduced by the present value of the gains arising from this source.

G. Asset Default Rates, Prepayments, and Net Reinvestment Rate

The default assumptions for public and private bonds are based on default rate expectations published by the Canadian Institute of Actuaries.

The indexed equities have a total return assumption based on the Company's expectations, and they are assumed sold to maintain their overall proportion of total Canadian Closed Block Assets.

No mortgages and real estate are expected in the Initial Canadian Closed Block Assets.

For modeling purposes, all fixed income assets among the Initial Canadian Closed Block Assets are generally assumed held to maturity, unless the asset modeling system (BondEdge from Capital Management Sciences) indicates an economic prepayment at an earlier date or there is a defined sinking fund selected for the asset. All bonds with make whole provisions (which compensate the Company for calls when new money rates are lower than the coupon on the bond) are modeled as non-callable.

The Net Total Cash Flow Available for Reinvestment is assumed to be reinvested at the annual rate of 7.56% for both Weekly Premium and Intermediate business. This rate is net of both assumed default costs and investment expenses. Such investment experience return arose on the Insurance segment assets in 1998, to support the year 2000 dividend scale.

PART TWO. OPERATION OF THE CANADIAN CLOSED BLOCK

The Canadian Closed Block shall be operated for the exclusive benefit of the Canadian Closed Block Policies in accordance with Part Two of this Exhibit H. Sections I through VII of Part Two describe the operation of the Canadian Closed Block.

The Canadian Closed Block is credited with (or, if negative, charged for) all insurance cash flows and investment cash flows with respect to Canadian Closed Block Policies as specified in this Part Two, Section I. The Company shall pay all guaranteed benefits for Canadian Closed Block Policies in accordance with the terms of such policies**.** The Canadian Closed Block Assets are the Company's assets, and the establishment of the Canadian Closed Block shall not in the event of the rehabilitation or liquidation of the Company affect the priority of the claims of the holders of Canadian Closed Block Policies to such assets in relation to the claims of all other policyholders and creditors of the Company.

I. Credits to and Charges against the Canadian Closed Block for Cash Flows on Canadian Closed Block Policies

A. Credits to and Charges against the Canadian Closed Block.

After the Closed Block Funding Date, insurance cash flows and investment cash flows arising from the operation of the Canadian Closed Block shall be credited to or charged against the Canadian Closed Block as follows, in each case subject to the specific rules and consistent with the assumptions and methodologies set forth in this Exhibit H.

1. <u>With respect to insurance cash flows:</u>

a. *The Canadian Closed Block shall be credited or charged*, as the case may be, for (i) premiums paid with respect to Canadian Closed Block Policies, primarily if not exclusively, paid up addition premiums paid by application of dividends; (ii) cash repayments of policy loans made with respect to Canadian Closed Block Policies; (iii) policy loan interest paid in cash on Canadian Closed Block Policies; (iv) death or maturity benefits, surrender values and new policy loans taken in cash with respect to Canadian Closed Block Policies; and (v) dividends on policies and riders that are Canadian Closed Block Policies.

b. *Fees in respect of administrative and overhead expenses* and associated payroll taxes incurred by the Company in connection with the performance of its obligations under the Canadian Closed Block Policies shall be charged against the Canadian Closed Block. The fees shall be the amounts determined in accordance with the rate specified in Part Two, Section V.B. and shall be charged in lieu of the actual expenses and in lieu of any payroll taxes incurred by the Company or any Prudential Affiliate providing such services.

c. *The Canadian Closed Block shall not be charged in respect of any other taxes* (except as provided in paragraph (b) above for payroll taxes). For example, but not by way of limitation, the Canadian Closed Block shall be neither credited nor charged, as the case would have been, in respect of premium taxes, retaliatory taxes, franchise taxes, income taxes, nor payments made or received in connection with membership in a governmental guaranty association or imposed by any mandatory pool, fund or association.

2. With respect to investment cash flows:

a. *Investment-related cash flows* from the Canadian Closed Block Assets, including, but not limited to, interest, coupon payments, dividends, proceeds of asset sales, maturities and redemptions, shall be credited to the Canadian Closed Block.

b. Fees in respect of investment-related expenses related to managing the Canadian Closed Block Assets (covering investment management fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation and fees for investment policy, planning and analysis) shall be charged against the Canadian Closed Block. The fees shall be the amounts determined in accordance with the schedule of investment fees specified in Part Two, Section V.A. below and shall be charged in lieu of the actual internal investment-related expenses incurred by the Company or any Prudential Affiliate providing such services.

B. Unreported Deaths

The Canadian Closed Block will be charged for death (or dismemberment) claims incurred before, but not reported as of, the Closed Block Funding Date. The Canadian Closed Block will not be charged for death (or dismemberment) claims incurred and reported before, but not paid as of, the Closed Block Fund Date. Disablements before the Closed Block Funding Date generating a death benefit scheduled payout claim on a Canadian Closed Block Policy are a liability of the Canadian Closed Block. The Initial Canadian Closed Block Assets include an adjustment to model results to fund for the Incurred But Not Reported Liability.

II. Investment Policy of the Canadian Closed Block

As of the Closed Block Funding Date, new investments of the Canadian Closed Block cash flows shall be acquired in conformity with an investment policy statement for the Canadian Closed Block that is consistent with investment guidelines approved from time to time by the Investment Committee of the Board or its successor. Such investment policy statement shall address, to the extent applicable, investment objectives, permissible asset class categories, permissible investments, valuation methodology, internal reporting, risk limits and performance factors and measurements. The Canadian Closed Block Assets shall be managed in the aggregate to seek a high level of return consistent with the preservation of principal and equity, through asset-liability management, strategic and tactical asset allocation and manager selection/performance and shall reflect the duration and ability to take risk consistent with the nature of the Canadian Closed Block.

No assets shall be reallocated, exchanged or transferred between the Canadian Closed Block and any other portion of the Company's general account or any Prudential Affiliate, except (i) in accordance with this provision, (ii) as provided in the Closed Block Memorandum, or (iii) as approved by the Commissioner. To facilitate the management of Closed Block cash flows, the Closed Block may participate in pooled short term accounts maintained by the Company on a basis no less favorable than any other portion of the Company's general account. Any other transfers, exchanges, investments, purchases or sales of assets between the Closed Block and any other portion of the Company's general account or any Prudential Affiliate may be effected if such transactions (i) benefit the Closed Block, (ii) are consistent with the investment policy statement and objectives described in the prior paragraph, (iii) are executed at demonstrable fair market values and (iv) do not exceed, in any calendar year, more than 10% of the statutory statement value of the invested assets of the Closed Block as of the beginning of that year.

III. Dividend Policy of the Canadian Closed Block

A. Dividends on Canadian Closed Block Policies shall be apportioned annually by the Board in accordance with applicable law and applicable standards of actuarial practice so as to reflect the experience of the Canadian Closed Block and with the objective of managing aggregate dividends so as to exhaust the Canadian Closed Block Assets when the last Canadian Closed Block Policy terminates while avoiding an outcome in which relatively few last surviving holders of Canadian Closed Block Policies receive dividends that are substantially disproportionate (either higher or lower) to those previously received by other holders of Canadian Closed Block Policies.

B. Subject to paragraph A. above, dividends on Canadian Closed Block Policies shall be apportioned, and shall be allocated among Canadian Closed Block Policies, so as to reflect the experience of the Canadian Closed Block.

IV. Reinsurance or Other Transfer of Risks

A. The Canadian Closed Block will not be charged (nor credited) for cash flows and tax effects of any reinsurance agreements in existence on the Closed Block Funding Date.

B. For any future reinsurance agreements the Company may, with the Commissioner's prior consent, and subject to Article 7 of Chapter 18 of Title 17B of the New Jersey Revised Statutes, enter into one or more agreements to reinsure or otherwise transfer all or any part of its risks under the Canadian Closed Block Policies. Notwithstanding any other provision of Article IX of the Plan or of this Exhibit H, (1) the agreement may provide for the transfer of all or part of the risks associated with Canadian Closed Block Policies and/or the transfer of ownership or, or other interest in, Canadian Closed Block Assets or funds not allocated to the Canadian Closed Block supporting such risks; (2) amounts paid and received by the Company in connection with any such agreement may be allocated to the Canadian Closed Block in accordance with any methodology approved by the Commissioner; (3) cash flows from any transferred Canadian Closed Block Assets may be considered to be investment cash flows of the Canadian Closed Block for purposes of establishing dividends and meeting policy obligations on Canadian Closed Block Policies; and (4) the Company may use Canadian Closed Block Assets or funds not allocated to the Canadian Closed Block as reinsurance premiums or other consideration for such agreement *provided*, in each case, and without limiting the grounds on which the Commissioner may withhold approval, the Commissioner shall not approve such action if the Commissioner finds that such action shall have the effect of lessening the extent to which the reasonable dividend expectations of the holders of Canadian Closed Block Policies are provided for by this Exhibit H.

V. The Bases Upon Which To Charge the Canadian Closed Block for Fees and Taxes

Cash shall be regularly and promptly withdrawn from the Canadian Closed Block for fees in lieu of expenses (and payroll taxes) in accordance with the following formulas:

A. Investment Expenses

The charges for investment expenses for each class of investments in the Canadian Closed Block will be determined in two components, direct investment expenses (such as brokerage costs, which will be charged as they are incurred), and fees in lieu of internal investment expenses.

The Canadian Closed Block is not expected to own real estate or mortgages. If, however, the Canadian Closed Block acquires real estate through foreclosure or otherwise in the future, there will be no charges against the Canadian Closed Block for real estate operating expenses (nor for real estate taxes) incurred with respect to real estate, if any, owned by the Canadian Closed Block.

The brokerage cost of acquiring investments is reflected in the cost of such investments. The brokerage cost and transaction expense of disposing of investments will be deducted from the gross proceeds of such sales.

Fees in lieu of internal investment expenses (to cover investment management fees, record keeping expenses, bank fees, accounting and reporting fees, fees for asset allocation and fees for investment policy, planning and analysis) will be charged, at an annual rate of 13 basis points on Canadian Closed Block Assets (but excluding policy loans and due and accrued interest on all Canadian Closed Block Assets) valued on a US statutory basis and expressed as Canadian dollars.

These fees will be charged monthly at an annual rate of 13 basis points of invested assets. The fees will be calculated as of the beginning of each calendar quarter on invested assets then held but will be deducted at the end of each month in that quarter. This internal investment expense fee will be in lieu of any allocation of actual investment management expenses of the type currently reported in Exhibit 2 of the NAIC blank.

B. Administrative Expenses and Payroll Taxes; Other Taxes

Fees in lieu of administrative expenses and in lieu of overhead expenses will be charged monthly at an annual rate of C$10 per C$1000 of Canadian Closed Block death benefit (where Canadian Closed Block death benefit includes the insurance in force on both the basic policy, any concessions and paid up additions and excludes any adjustments to death benefit for termination or mortuary dividends, dividend accumulations, accidental death benefits, delayed payment interest, or to repay policy loans, if any) on Canadian Closed Block Weekly Premium policies and on Canadian Closed Block Intermediate Monthly Premium policies.

These fees will be calculated as of the beginning of each calendar quarter for the policies and face amounts then in force, but will be deducted at the end of each month in that quarter.

These charges are in lieu of any allocation of actual administrative expenses of the type currently reported in Exhibit 5 of the NAIC blank, and are in lieu of any allocation of payroll taxes of the type currently reported in Exhibit 6 of the NAIC blank. Payroll taxes (inherent in the C$10 charge per C$1000 face amount) are the only taxes to be charged to the Canadian Closed Block.

VI. Reporting Requirements

A. The Company shall provide the Commissioner as supplemental schedules to its statutory Annual Statements for each year commencing with the year in which the Effective Date occurs (1) financial schedules, consisting of the information required by Annual Statement pages 2, 3, 4, and 5 and (2) investment schedules, consisting of the information required by Annual Statement Schedules A, B, BA, D, and E (or comparable information under financial reporting requirements as they may be established from time to time for the Company as a whole by the Commissioner after the Adoption Date), in each case for the Canadian Closed Block.

By June 1 of the year subsequent to the year being reported, the Company shall submit to the Commissioner an attestation report or the equivalent of a firm of independent public accountants as to the financial schedules of the Canadian Closed Block referred to in clause (1) above. Additionally, the Company shall submit to the Commissioner by June 1 of each such year a report, prepared at the Company's request by a firm of independent public accountants, on the results of certain procedures, to test the Company's compliance with the Canadian Closed Block cash flow provisions of this Part Two. These reporting obligations shall continue for so long as the Commissioner may require. The annual report required by this Section VI shall be submitted in a form acceptable to the Commissioner and in accordance with procedures acceptable to the Commissioner.

B. The Company shall submit to the Commissioner by June 1 of the fifth calendar year following the calendar year of the Effective Date and every five years thereafter a report, prepared in accordance with applicable actuarial standards, of an independent actuary, who shall be a member of the American Academy of Actuaries, concerning the operations of the Canadian Closed Block.

VII. Amendment or Cessation of Canadian Closed Block

A. The Company may amend the terms of or cease to maintain the Canadian Closed Block with the prior approval of the Commissioner, subject to such terms and conditions as the Commissioner may approve, if the Commissioner determines that: (1) assurances provided by the Company or other conditions provide adequate safeguards to provide for the reasonable dividend expectations of the holders of Canadian Closed Block Policies and (2) either (x) the Canadian Closed Block is no longer necessary to effectuate the purposes of this Exhibit or (y) the Canadian Closed Block has been so reduced in size so as to make continued operation of the Canadian Closed Block impracticable. Terms and conditions imposed by the Commissioner may include, without limitation, requiring actuarial opinions from independent actuaries hired by the Company, and by the Commissioner at the Company's expense, that appropriate provision has been made for the dividend expectations of holders of Canadian Closed Block Policies. If the Canadian Closed Block is discontinued, the Canadian Closed Block Policies then remaining shall continue to be obligations of the Company and dividends on such Policies shall be apportioned by the Board in accordance with applicable law.

B. Except as provided in paragraph A above, none of the assets, including the revenue therefrom, allocated to the Canadian Closed Block or acquired by the Canadian Closed Block shall revert to the benefit of the shareholders of the Company.